

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T2, 2019/ 2020

BAM7014 – ACCOUNTING FOR MANAGERS

(All Sections/ Groups)

24 JANUARY 2020

9.00 a.m – 12.00 p.m

(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consist of **SIX (6)** pages (including the cover page).
2. Answer **ALL** questions. The marks distributions are given in parentheses.
3. Write all your answers in the **Answer Booklet** provided.

QUESTION ONE (40 MARKS)**Part A**

- i. Twin Fish Sdn. Bhd. has sales of RM1,500,000 for the first quarter of 2019. In making the sales, the company incurred the following costs and expenses.

	Variable	Fixed
Product costs	RM400,000	RM550,000
Selling expenses	100,000	75,000
Administrative expenses	80,000	67,000

REQUIRED:

Calculate net income under CVP for 2019.

(5 marks)

- ii. Body & Bathworks has fixed costs totaling RM96,000. Its contribution margin per unit is RM1.50, and the selling price is RM5.50 per unit.

REQUIRED:

Compute the break-even point in units.

(5 marks)

- iii. Eucalyptus Mint sells boxes of red velvet cupcakes each with a variable cost percentage of 37.5%. Its fixed costs are RM46,875 per year.

REQUIRED:

Determine the sales dollars Eucalyptus Mint needs to break even per year.

(5 marks)

- iv. The following monthly data are available for Pringling Sdn. Bhd. which produces only one product which it sells for RM18 each. Its unit variable costs are RM8, and its total fixed expenses are RM15,000. Actual sales for the month of May totaled 2,000 units.

REQUIRED:

Compute the margin of safety in units and RM for the company for May.

(5 marks)

Continued...

Part B

- i. T&C Enterprise manufactures dining chairs and tables. The following information is available:

	<u>Dining Chairs</u>	<u>Tables</u>	<u>Total Cost</u>
Machine setups	200	600	RM36,000
Inspections	250	470	RM54,000
Labor hours	2,600	2,400	

T&C Enterprise is considering switching from one overhead rate based on labor hours to activity-based costing.

REQUIRED:

Perform the following analyses for these two components of overhead:

- Compute total machine setups and inspection costs assigned to each product, using a single overhead rate. (5 marks)
 - Compute total machine setups and inspection costs assigned to each product, using activity-based costing. (5 marks)
 - Comment on your findings. (5 marks)
- ii. Klik-klik Sdn Bhd produces two models of cameras, Standard and Luxury. It sells 100,000 Standard cameras and 15,000 Luxury cameras annually. Klik-klik switched from traditional costing to activity-based costing and discovered that the cost allocated to Luxury cameras increased so dramatically that the Luxury was now only marginally profitable.

REQUIRED:

Give a probable explanation for this shift.

(5 marks)

Continued...

QUESTION 2 (30 MARKS)**Part A**

Ali bin Ali, a recent graduate of an accounting program, evaluated the operating performance of SEASALT Sdn Bhd's six divisions. Ali made the following presentation to the SEASALT board of directors and suggested that the Hill Division be eliminated. "If the Hill Division is eliminated," Ali said, "our total profits would increase by RM21,870."

	The Other Five Divisions (RM)	Hill Division (RM)	Total (RM)
Sales	1,664,200	98,200	1,762,400
Cost of goods sold	978,520	76,470	1,054,990
Gross profit	685,680	21,730	707,410
Operating expenses	<u>527,940</u>	<u>43,600</u>	<u>571,540</u>
Net income	<u>157,740</u>	<u>(21,870)</u>	<u>135,870</u>

In the Hill Division, cost of goods sold is RM60,000 variable and RM16,470 fixed, and operating expenses are RM16,000 variable and RM27,600 fixed. None of the Hill Division's fixed costs will be eliminated if the division is discontinued.

REQUIRED:

Is Ali right about eliminating the Hill Division? Prepare a schedule to support your answer. (10 marks)

Part B

Last year (2019) Subang Sdn Bhd installed new factory equipment. The owner of the company, Jaya, recently returned from an industry equipment exhibition where he watched computerized equipment being demonstrated. He was impressed with the equipment's speed and cost efficiency.

Upon returning from the exhibition, he asked his purchasing agent to collect price and operating cost data on the new equipment. In addition, he asked the company's accountant to provide him with cost data on the company's equipment. The information is presented below.

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	Old Equipment	New Equipment
Purchase price	RM210,000	RM270,000
Estimated salvage value	0	0
Estimated useful life	6 years	5 years
Depreciation method	Straight-line	Straight-line
Annual operating costs other than depreciation:		
Variable	RM50,000	RM15,000
Fixed	30,000	8,000

Annual revenues are RM360,000; and selling and administrative expenses are RM45,000; regardless of which equipment is used. If the old equipment is replaced now, at the beginning of 2020, Subang Sdn Bhd will be able to sell it for RM38,000.

REQUIRED:

- Determine any gain or loss if the old equipment is replaced. (5 marks)
- Using incremental analysis, determine if the old equipment should be replaced. (10 marks)
- Write a memo to Jaya explaining why any gain or loss should be ignored in the decision to replace the old equipment. (5 marks)

QUESTION 3 (30 MARKS)

Part A

Managers are motivated to accomplish objectives if they feel that their efforts will be fairly evaluated. Explain why an organization may use different bases for evaluating the performance of managers of different types of responsibility centers.

(15 marks)

Continued...

Part B

Eternity Sdn Bhd's manufacturing overhead budget for the first quarter of 2019 contained the following data:

Variable Costs

Indirect materials	RM20,000
Indirect labor	12,000
Utilities	10,000
Maintenance	6,000

Fixed Costs

Supervisor's salary	RM40,000
Depreciation	8,000
Property taxes	4,500

Actual variable costs for the first quarter were:

Indirect materials	RM18,600
Indirect labor	13,200
Utilities	10,500
Maintenance	5,300

Actual fixed costs were as expected except for property taxes which were RM4,500. All costs are considered controllable by the department manager except for the supervisor's salary.

REQUIRED:

Prepare a manufacturing overhead responsibility performance report for the first quarter.
(15 marks)

End of Paper